

Historic, Archive Document

Do not assume content reflects current scientific knowledge, policies, or practices.

1222

1
Ag 84 Pro
Cap. 2

FmHA ECONOMIC EMERGENCY LOANS

U.S. DEPT. OF AGRICULTURE
NATL. AGRIC. LIBRARY
RECEIVED

JUL 9 '79



FARMERS HOME
ADMINISTRATION
Program Aid
No. 1222

A Rural Credit
Agency of the
U.S. DEPARTMENT
OF AGRICULTURE

FmHA ECONOMIC EMERGENCY LOANS

Farmers, ranchers, or aquaculture operators who suffer economic hardships because of a general lack of farm credit may receive Economic Emergency Loans from the Farmers Home Administration (FmHA). These loans are authorized when farm credit is hard to get because of national or areawide economic stresses, such as a general tightening of agricultural credit or situations such as high production costs and low prices for farm goods. These loans can be made to bona fide farmers and ranchers to help them continue their normal operations during a temporary economic emergency. Individuals, partnerships, cooperatives, and corporations are eligible for these Economic Emergency Loans.

What Is the Purpose of the Program?

FmHA makes Economic Emergency Loans to farmers and ranchers who cannot get sufficient credit from their regular lenders to let them continue their normal farming operations. In determining sufficient credit, amounts available, interest rates, and repayment terms will be considered. These loans will be made to help new applicants and existing borrowers continue with their present creditors and return to local sources for all their credit needs as soon as possible.

How Can the Loans Be Used?

Loans can be made to consolidate and refinance debts for farming and ranching, including paying installments on principal and interest. These loans also can be used to change or reorganize the farming operation so it can earn sufficient income to continue normal operations. Loans for operating the farm or ranch also are available. Other real estate debts may be refinanced to give the borrower interest rates and longer repayment terms that the borrower can meet. The overall purpose of these

loans is to assist the farmer or rancher to continue normal operations.

Who Can Get a Loan?

To qualify for an Economic Emergency Loan, you must be:

1. a bona fide farmer, rancher, or aquaculture operator recognized in the community as primarily and directly engaged in agricultural production. You can be an owner-operator or a tenant-operator. You also can be farming as an individual, cooperative, corporation, or partnership.

2. unable to obtain suitable credit from regular agricultural lenders.

3. a citizen of the United States. If an application comes from a cooperative, corporation, or a partnership, the members, stockholders, or partners who hold a majority interest must be U.S. citizens.

4. of good character. You also must have demonstrated the industry, ability, training, or experience necessary to be a good farmer with the potential to repay the loan.

All applications will be considered without regard to age, race, color, creed, sex, marital status, or national origin.

Who Determines Eligibility?

FmHA has a committee for each county or area which reviews applications and determines eligibility. The committee is made up of three persons who are familiar with farming in the area.

What Security Is Required?

Collateral for Economic Emergency Loans must be of such a nature that repayment of the loan is reasonably assured, considering the integrity and ability of the borrower's management, soundness of operation, and projected earnings. The collateral usually will consist of

crops, livestock, farm machinery, and/or real estate. If the usual collateral is not available, exceptions to the security requirements may be made, if certain conditions are met. In such cases, the borrower's repayment ability may be considered.

What Are the Loan Limits?

The total Economic Emergency Loan to any one borrower cannot exceed \$400,000. The combined total of FmHA Farm Ownership, Soil and Water, Recreation, Operating, and Economic Emergency loans cannot be more than \$650,000.

What Are the Terms of These Loans?

You must repay the loan as quickly as possible in annual installments, within your reasonable ability to pay. Repayment terms vary according to the purpose of the loan.

Loans for **operating purposes** may be repaid in up to 7 years. These loans also may be consolidated and rescheduled for up to 7 additional years. Under special conditions, you can take longer to pay back the loan, but not more than 20 years. Generally, real estate will be needed as security when the initial loan for operating purposes is to be repaid in more than 7 years.

Loans for **real estate purposes** may be scheduled for repayment in up to 40 years.

Loans for **annual recurring expenses** are to be repaid each year when you receive your principal income from the year's operation. Under certain conditions, loans for these yearly expenses may be scheduled for repayment within 7 years if additional security can be obtained.

To help in the orderly repayment of these loans, they may be consolidated, rescheduled, reamortized, or deferred if necessary. If you receive an insured loan, you must refinance when other credit becomes available, even

though your Economic Emergency Loan has not fully matured.

What Are the Interest Rates?

The interest rate for guaranteed Economic Emergency Loans will be the rate that you negotiate with your lender.

Interest rates for insured loans will be based on the cost of government borrowing. The Secretary of Agriculture may change the interest for new loans as the cost of Government borrowing changes.

Where Can You Apply?

For guaranteed loans, you can apply to your regular sources of credit in your local area.

For insured loans, you can apply at the FmHA county office serving the area where your farm is located. These offices are listed in local telephone books under U.S. Department of Agriculture. Or, you can write to the Farmers Home Administration, U.S. Department of Agriculture, Washington, D.C. 20250. Be sure to give the name of your county. Applications must be filed in time to be approved by FmHA before the termination date for the program, May 15, 1980.

January, 1979